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PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

Company Registration Number SC242550

RSM Tenon Limited
Accountants and Business Advisers
160 Dundee Street
Edinburgh
EH11 1DQ

PROSOURCE.IT (UK) LTD
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

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PROSOURCE.IT (UK) LTD
OFFICERS AND PROFESSIONAL ADVISERS
YEAR ENDED 30 JUNE 2012

The board of directors	C Adams A Cowie S Mackie S Proctor S Houston
Company secretary	S Mackie
Business address	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Registered office	1 Hilldowntree Business Centre Banchory Devenick Aberdeen AB12 5YL
Auditor	RSM Tenon Audit Limited 160 Dundee Street Edinburgh EH11 1DQ
Accountants	RSM Tenon Limited Accountants and Business Advisers 160 Dundee Street Edinburgh EH11 1DQ
Bankers	Clydesdale Bank plc 1 Queens Cross Aberdeen AB15 4XU
Solicitors	Paull & Williamsons LLP Union Plaza 1 Union Wynd Aberdeen AB10 1DQ

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT
YEAR ENDED 30 JUNE 2012

The directors present their report and the financial statements of the group for the year ended 30 June 2012.

Principal activities and business review

The principal activity of the group during the year was the supply of IT personnel and computer consultancy services.

In an environment of continuing recession and economic uncertainty, Prosource managed to deliver its 9th consecutive year of growth with group revenues exceeding £30m, approximately 25% higher than the previous 12 months.

A contributor to this was revenue generated from our first acquisition in January 2012; a coaching and productivity business based in Houston. This helped push our US revenues to \$17.7m in only its 4th full year of trading.

Recruitment has kept pace with our revenue growth and we added approximately 100 new employees during the past 12 months and are forecasting a similar increase for 2012-2013.

The past year has also seen us benefit from the investment we made in our new management team in 2011 which has allowed us to incorporate the growth of the past 12 months whilst maintaining focus on the underpinning elements of our business; customer-centricity, safety, quality and being an employer of choice.

Our performance over the past year saw us extend our record of year-on-year quarter growth to the 36 quarters that the company has traded and contributed to the 1200% growth experienced in the 9 years since the company was formed as a result of the merger of Promac and Outsource IT.

Looking forward, our order book is stronger than it has ever been and we are forecasting further growth in the magnitude of 25-30%.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £2,071,778 (2011: £2,465,719). Particulars of dividends paid are detailed in note 9 to the financial statements.

Financial risk management objectives and policies

The group makes little use of financial instruments other than an operational bank account and so its exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, financial position and profit or loss of the group.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2012

Directors

The directors who served the company during the year were as follows:

C Adams
A Cowie
S Mackie
S Proctor
S Houston (appointed 15 May 2012)

Directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are, individually, aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PROSOURCE.IT (UK) LTD
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 30 JUNE 2012

Donations

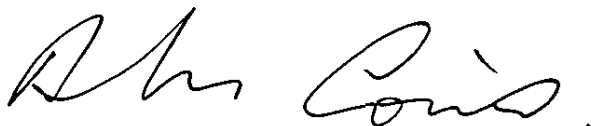
During the year the group made the following contributions:

	2012	2011
	£	£
Charitable	<u>3,050</u>	<u>3,450</u>

Auditor

A resolution to reappoint RSM Tenon Audit Limited as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Signed on behalf of the directors



A Cowie
Director

Approved by the directors on 21 November 2012

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD
YEAR ENDED 30 JUNE 2012

We have audited the group and parent company financial statements ("the financial statements") of Prosource.IT (UK) Ltd for the year ended 30 June 2012 on pages 7 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

PROSOURCE.IT (UK) LTD
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
PROSOURCE.IT (UK) LTD *(continued)*
YEAR ENDED 30 JUNE 2012

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



John McLeod, Senior Statutory Auditor
For and on behalf of



RSM Tenon Audit Limited
Statutory Auditor
160 Dundee Street
Edinburgh
EH11 1DQ

28/11/12

PROSOURCE.IT (UK) LTD
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2012

		2012 £	2011 £
Group turnover	2	30,389,271	24,510,619
Cost of sales		(23,057,133)	(18,797,146)
Gross profit		<u>7,332,138</u>	<u>5,713,473</u>
Administrative expenses		(4,061,622)	(2,195,937)
Operating profit	3	<u>3,270,516</u>	<u>3,517,536</u>
Interest receivable		-	185
Interest payable and similar charges	6	(12,129)	(1,868)
Profit on ordinary activities before taxation		<u>3,258,387</u>	<u>3,515,853</u>
Tax on profit on ordinary activities	7	(1,003,570)	(851,312)
Profit on ordinary activities after taxation		<u>2,254,817</u>	<u>2,664,541</u>
Minority interests	20	(183,039)	(198,822)
Profit attributable to members of the parent company	8	<u>2,071,778</u>	<u>2,465,719</u>
Profit for the financial year	22	<u><u>2,071,778</u></u>	<u><u>2,465,719</u></u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 408 of the Companies Act 2006
not to publish its own profit and loss account.

The notes on pages 12 to 26 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 30 JUNE 2012

	2012 £	2011 £
Profit for the financial year attributable to the shareholders of the parent company	2,071,778	2,465,719
Foreign currency reserve movement	<u>(48,293)</u>	<u>(313,882)</u>
Total gains and losses recognised since the last annual report	<u>2,023,485</u>	<u>2,151,837</u>

The notes on pages 12 to 26 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP BALANCE SHEET
30 JUNE 2012

	Note	2012 £	2011 £
Fixed assets			
Intangible assets	10	669,508	2,398
Tangible assets	11	18,573	18,049
		<u>688,081</u>	<u>20,447</u>
Current assets			
Debtors	13	7,305,857	5,221,253
Cash at bank		114,133	302,559
		<u>7,419,990</u>	<u>5,523,812</u>
Creditors: Amounts falling due within one year	14	<u>(5,419,598)</u>	<u>(3,384,038)</u>
Net current assets		2,000,392	2,139,774
Creditors: Amounts falling due after more than one year	15	<u>(119,579)</u>	<u>-</u>
Total assets less liabilities		2,568,894	2,160,221
Provisions for liabilities			
Deferred tax	16	<u>(251,347)</u>	<u>-</u>
		<u>2,317,547</u>	<u>2,160,221</u>
Capital and reserves			
Called-up share capital	21	11,599	10,260
Share premium account	22	911,845	40,213
Share options reserve	22	76,357	47,483
Capital redemption reserve	22	1,171	158
Profit and loss account	22	1,193,796	1,888,326
Shareholders' funds	23	2,194,768	1,986,440
Minority interests	20	<u>122,779</u>	<u>173,781</u>
		<u>2,317,547</u>	<u>2,160,221</u>

These financial statements were approved by the directors and authorised for issue on 21 November 2012, and are signed on their behalf by:



A Cowie
Director

The notes on pages 12 to 26 form part of these financial statements.

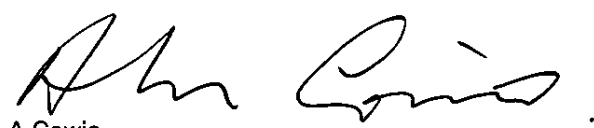
PROSOURCE.IT (UK) LTD
Registered Number SC242550

BALANCE SHEET

30 JUNE 2012

	Note	2012 £	£	2011 £	£
Fixed assets					
Tangible assets	11		17,030		16,452
Investments	12		3,886		3,886
			<u>20,916</u>		<u>20,338</u>
Current assets					
Debtors	13	5,862,673		4,061,216	
Cash at bank		200		152,892	
		<u>5,862,873</u>		<u>4,214,108</u>	
Creditors: Amounts falling due within one year	14	<u>(4,370,741)</u>		<u>(2,906,957)</u>	
Net current assets			1,492,132		1,307,151
Total assets less current liabilities			<u>1,513,048</u>		<u>1,327,489</u>
Capital and reserves					
Called-up share capital	21		11,599		10,260
Share premium account	22		911,845		40,213
Share options reserve	22		76,357		47,483
Capital redemption reserve	22		1,171		158
Profit and loss account	22		512,076		1,229,375
Shareholders' funds	23		<u>1,513,048</u>		<u>1,327,489</u>

These financial statements were approved by the directors and authorised for issue on 21 November 2012, and are signed on their behalf by:


A Cowie
Director

The notes on pages 12 to 26 form part of these financial statements.

PROSOURCE.IT (UK) LTD
GROUP CASH FLOW CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2012

		2012		2011	
	Note	£	£	£	£
Net cash inflow from operating activities	24		2,441,096		2,546,769
Returns on Investments and Servicing of finance					
Interest received		-		185	
Interest paid		(12,129)		(1,868)	
Dividends paid to minority interest		(218,768)		(129,254)	
Net cash outflow from returns on investments and servicing of finance			(230,897)		(130,937)
Taxation			(536,356)		(776,536)
Capital expenditure					
Payment to acquire intangible fixed assets		(741,390)		-	
Payments to acquire tangible fixed assets		(15,631)		(19,758)	
Net cash outflow from capital expenditure			(757,021)		(19,758)
Equity dividends paid			(1,183,870)		(1,121,159)
Cash (outflow)/inflow before financing			(267,048)		498,379
Financing					
Issue of equity share capital		873,984		40,098	
Purchase of own equity shares		(1,752,913)		(49,691)	
Net cash outflow from financing			(878,929)		(9,593)
(Decrease)/increase in cash	24		(1,145,977)		488,786

The notes on pages 12 to 26 form part of these financial statements.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

1. Accounting policies *(continued)*

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities and transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Transactions denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions, or at an average rate for the period if the rates do not fluctuate significantly. Monetary assets and liabilities are translated at year end exchange rates or, where appropriate, at rates of exchange fixed under the terms of the relevant transaction. The resulting exchange rate differences are charged to the profit and loss account.

Share-based payments

The company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No expense is recognised for awards that do not ultimately vest provided vesting is not conditional on market related conditions.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

1. Accounting policies (continued)

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Investments

Investments are stated at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

Employee benefit trusts

Trusts have been established for the benefit of company employees and certain of their dependants. Monies held in these trusts are held by independent trustees and managed at their discretion.

Where the company retains future economic benefit from, and has de facto control of the assets and liabilities of the trust, they are accounted for as assets and liabilities of the company until the earlier of the date that an allocation of trust funds to employees in respect of past services is declared and the date that assets of the trust vest in identified individuals.

Where monies held in a trust are determined by the company on the basis of employees' past services to the business and the company can obtain no future economic benefit from those monies, such monies, whether in the trust or accrued for by the company are charged to the profit and loss account in the period to which they relate.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2012	2011
	£	£
United Kingdom	19,130,697	16,559,128
North America	11,258,574	7,951,491
	<u>30,389,271</u>	<u>24,510,619</u>

3. Operating profit

Operating profit is stated after charging:

	2012	2011
	£	£
Equity-settled share-based payments	28,874	10,779
Amortisation	74,280	141
Depreciation of owned fixed assets	15,053	12,016
Auditor's remuneration	9,000	13,500
Operating lease costs:		
-Land and buildings	310,301	180,083
Net loss on foreign currency translation	<u>-</u>	<u>5,408</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2012	2011
	No	No
Number of administrative staff	3	12
Number of commercial staff	16	5
Number of operational staff	254	163
	<u>273</u>	<u>180</u>

The aggregate payroll costs of the above were:

	2012	2011
	£	£
Wages and salaries	12,016,103	8,926,428
Social security costs	1,180,020	801,228
Other pension costs	369,272	384,255
Employee benefit trust	1,000,100	-
Share based payments	28,874	10,779
	<u>14,594,369</u>	<u>10,122,690</u>

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2012	2011
	£	£
Remuneration receivable	435,351	891,065
Value of company pension contributions to money purchase schemes	24,808	107,341
	<u>460,159</u>	<u>998,406</u>

Remuneration of highest paid director:

	2012	2011
	£	£
Total remuneration (excluding pension contributions)	<u>111,774</u>	<u>295,414</u>

The number of directors on whose behalf the company made pension contributions was as follows:

	2012	2011
	No	No
Money purchase schemes	<u>5</u>	<u>4</u>

6. Interest payable and similar charges

	2012	2011
	£	£
Interest payable on bank borrowing	<u>12,129</u>	<u>1,868</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

7. Taxation on ordinary activities

(a) Analysis of charge in the year

	2012 £	2010 £
UK taxation		
UK Corporation tax	552,588	588,840
Under provision in prior year	2,269	-
	<u>554,857</u>	<u>588,840</u>
Foreign tax		
Current tax on income for the year	448,713	262,472
	<u>1,003,570</u>	<u>851,312</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 26% (2011 – 27.50%).

	2012 £	2011 £
Profit on ordinary activities before taxation	<u>3,258,387</u>	<u>3,515,853</u>
Profit on ordinary activities by rate of tax	847,181	966,860
Effects of:		
Expenses not deductible for tax purposes	36,861	16,872
Capital allowances for year in excess of depreciation	(506)	(2,428)
Effect of different foreign tax rates	105,149	(129,969)
Adjustments to tax charge in respect of previous periods	2,269	(23)
Other short term timing differences	12,616	-
Total current tax (note 7(a))	<u>1,003,570</u>	<u>851,312</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

8. Profit attributable to members of the parent company

The after tax profit dealt with in the financial statements of the parent company was £2,219,484 (2011 - £1,950,651).

9. Dividends

Equity dividends

	2012 £	2011 £
Paid during the year		
Equity dividends on Ordinary shares type 'A'	594,288	693,356
Equity dividends on Ordinary shares type 'B'	245,644	286,585
Equity dividends on Ordinary shares type 'C'	72,113	84,808
Equity dividends on Ordinary shares type 'D'	48,352	56,410
Equity dividends on Ordinary shares type 'E'	223,473	-
	<u>1,183,870</u>	<u>1,121,159</u>

10. Intangible fixed assets

Group	Goodwill £
Cost	
At 1 July 2011	2,821
Additions	741,390
	<u>744,211</u>
Amortisation	
At 1 July 2011	423
Charge for the year	74,280
At 30 June 2012	<u>74,703</u>
Net book value	
At 30 June 2012	<u>669,508</u>
At 30 June 2011	<u>2,398</u>

On 1 January 2012, the group acquired the trade and assets of a coaching and productivity business based in Houston.

The company has no intangible fixed assets.

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

11. Tangible fixed assets

Group	Plant & Machinery £
Cost	
At 1 July 2011	59,000
Additions	15,631
Foreign currency loss	(54)
At 30 June 2012	<u>74,577</u>
Depreciation	
At 1 July 2011	40,951
Charge for the year	15,053
At 30 June 2012	<u>56,004</u>
Net book value	
At 30 June 2012	<u>18,573</u>
<i>At 30 June 2011</i>	<u>18,049</u>
Company	Plant & Machinery £
Cost	
At 1 July 2011	57,403
Additions	15,631
At 30 June 2012	<u>73,034</u>
Depreciation	
At 1 July 2011	40,951
Charge for the year	15,053
At 30 June 2012	<u>56,004</u>
Net book value	
At 30 June 2012	<u>17,030</u>
<i>At 30 June 2011</i>	<u>16,452</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

12. Investments

Company	Subsidiary undertakings £
Cost	
At 1 July 2011 and 30 June 2012	<u>3,886</u>
Net book value	
At 30 June 2012	<u>3,886</u>
At 30 June 2011	<u>3,886</u>

	Country of Incorporation	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings				
All held by the company:				
Prosource.IT Inc	USA	Ordinary shares	78%	IT consultancy services
Prosource.IT (Canada)	Canada	Ordinary shares	100%	IT consultancy services

13. Debtors

	Group		Company	
	2012 £	2011 £	2012 £	2011 £
Trade debtors	6,756,187	4,760,600	3,641,334	3,123,606
Amounts owed by group undertakings (note 19)	-	-	1,751,802	559,676
Other debtors	140,689	58,425	100,103	26,853
Prepayments and accrued income	408,981	402,228	369,434	351,081
	<u>7,305,857</u>	<u>5,221,253</u>	<u>5,862,673</u>	<u>4,061,216</u>

PROSOURCE.IT (UK) LTD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2012

14. Creditors: Amounts falling due within one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Bank overdrafts	957,551	–	957,551	–
Trade creditors	887,853	475,255	562,562	554,355
Directors' loan accounts (note 19)	1,237,000	660,000	1,237,000	660,000
Corporation tax	455,983	240,116	307,076	233,323
Other taxation and social security	1,025,414	1,172,998	1,019,591	1,077,043
Other creditors	315,324	16,350	–	16,350
Accruals and deferred income	540,473	819,319	286,961	365,886
	<u>5,419,598</u>	<u>3,384,038</u>	<u>4,370,741</u>	<u>2,906,957</u>

The overdraft facility is secured by a floating charge over the assets and undertakings of Prosource.IT (UK) Ltd.

15. Creditors: Amounts falling due after more than one year

	Group		Company	
	2012	2011	2012	2011
	£	£	£	£
Other creditors	<u>119,579</u>	<u>–</u>	<u>–</u>	<u>–</u>

16. Deferred taxation – group

The movement in the deferred taxation provision during the year was:

	2012	2011
	£	£
At 1 July 2011	–	–
Profit and loss account movement arising during the year	251,347	–
At 30 June 2012	<u>251,347</u>	<u>–</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2012	2011
	£	£
Short term timing differences	251,347	–
	<u>251,347</u>	<u>–</u>

There was no deferred tax asset or liability within the company as at 30 June 2011 and 2012.

17. Share-based payments

Equity-settled share-based payments

The company has a share option scheme for all employees (including directors). Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The vesting condition for employees is that they must be an eligible employee, and have neither given nor received notice of termination of their employment, up until the vesting date which is the earlier of:

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17. Share-based payments (*continued*)

I. The date falling thirty days prior to the tenth anniversary of the last date of execution hereof or II. The date falling thirty days prior to the completion date of the disposal or III. On such date as the board determine at their sole discretion.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

59,535 share options are outstanding at the year end, with a weighted average exercise price (WAEP) of £12.37.

	2012		2011	
	No	WAEP £	No	WAEP £
Outstanding at the beginning of the year	65,560.00	12.60	71,332.00	11.33
Exercised during the year	(6,025.00)	14.89	(2,992.00)	7.58
Outstanding at the end of the year	<u>59,535.00</u>	<u>-</u>	<u>68,340.00</u>	<u>-</u>
Exercisable at the end of the year	<u>59,535.00</u>	<u>12.37</u>	<u>65,560.00</u>	<u>12.60</u>

There were no options granted in the year ended 30 June 2012.

The fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2012	2011
Weighted average share price - £	10.41	10.41
Weighted average exercise price - £	8.66	8.09
Expected volatility - %	53.00	53.00
Expected life - years	8.00	8.00
Risk free rate - %	2.14	2.14
Expected dividend yield - %	<u>12.00</u>	<u>8.00</u>

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

During the year there was a charge to the profit and loss account of £28,874 (2011: £10,779) in respect of share based payments.

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18. Commitments under operating leases

At 30 June 2012 the group had annual commitments under non-cancellable operating leases as set out below.

Group	Land and buildings	
	2012	2011
	£	£
Operating leases which expire:		
Within 1 year	124,618	226,545
Within 2 to 5 years	73,702	32,500
	<u>198,320</u>	<u>259,045</u>

At 30 June 2012 the company had annual commitments under non-cancellable operating leases as set out below.

Company	Land and buildings	
	2012	2011
	£	£
Operating leases which expire:		
Within 1 year	81,842	138,195
Within 2 to 5 years	-	32,500
	<u>81,842</u>	<u>170,695</u>

19. Related party transactions – company and group

C Adams, a director and shareholder of the company, is also a director of the LLP Seven Two Nine Seven LLP t/a The Moorings Bar. The company was supplied goods and services totalling £nil (2011: £469) from this entity during the year.

A Cowie, a director and shareholder of the company granted loans of £123,662 (2011: £10,000) during the year. At the year end A Cowie was due £110,510 (2011: £10,000) from the company. The highest balance due from the company during the year was £131,510 (2011: £20,000).

S Mackie, a director and shareholder of the company, granted loans to the company of £615,180 (2011: £325,000). At the year end S Mackie was due £543,282 (2011: £325,000) from the company. The highest balance due from the company during the year was £640,180 (2011: £500,000).

S Proctor, a director and shareholder of the company, granted loans to the company of £661,310 (2011: £325,000). At the year end S Proctor was due £586,310 (2011: £325,000) from the company. The highest balance due from the company during the year was £686,310 (2011: £600,000).

S Houston, a director and shareholder of the company was due £2,327 from the company at the year end.

As at 30 June 2012 Prosource.IT Inc owed £1,749,812 (2011: £536,594) to Prosource.IT (UK) Ltd.

As at 30 June 2012 Prosource.IT (Canada) owed £1,990 (2011: £23,082) to Prosource.IT (UK) Ltd.

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20. Minority Interest

Group	2012 £	2011 £
At 1 July 2011	173,781	90,086
Share of profit for the financial year	183,039	198,822
Equity dividends paid	(218,768)	(129,254)
Share of share premium movement	6,578	-
Foreign exchange movement	(21,851)	(12,957)
Effect of increase in minority interest	-	27,084
As at 30 June 2012	<u>122,779</u>	<u>173,781</u>

21. Share capital

Authorised share capital:

	2012 £	2011 £
670,000 Ordinary Class 'A' shares of £0.01 each	6,700.00	6,700.00
330,000 Ordinary Class 'B' shares of £0.01 each	3,300.00	3,300.00
100,000 Ordinary Class 'C' shares of £0.01 each	1,000.00	1,000.00
53,724 Ordinary Class 'D' shares of £0.01 each	537.24	537.24
235,235 Ordinary Class 'E' shares of £0.01 each	2,352.35	-
	<u>13,889.59</u>	<u>11,537.24</u>

Allotted:

	2012 No	£	2011 No	£
660,320 Ordinary Class 'A' shares of £0.01 each	660,320	6,603.20	660,320	6,603.20
171,658 Ordinary Class 'B' shares (2011 – 272,938) of £0.01 each	171,658	1,717.00	272,938	2,729.38
38,980 Ordinary Class 'C' shares of £0.01 each	38,980	389.80	38,980	389.80
53,724 Ordinary Class 'D' shares of £0.01 each	53,724	537.24	53,724	537.24
235,235 Ordinary Class 'E' shares (2011 – nil) of £0.01 each	235,235	2,352.00	-	-
	<u>1,159,917</u>	<u>11,599.24</u>	<u>1,025,962</u>	<u>10,259.62</u>

The 'A', 'B', 'C', 'D' and 'E' Ordinary shares rank equally in all respects, except that the 'C' Ordinary shares do not carry voting rights and are subject to the rules of the Enterprise Management Incentive Scheme.

During the year the company issued 'E' Ordinary class shares which had a nominal value of £2,352 for proceeds of £4,210,706. In respect of these shares issued in the year, only £873,984 had been called by 30 June 2012.

The company also repurchased 101,280 'B' Ordinary class shares which had a nominal value of £1,013 for a total consideration of £1,752,913 during the year.

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22. Reserves

Group	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £
Balance brought forward	40,213	158	47,483	1,888,326
Profit for the year	—	—	—	2,071,778
Equity dividends	—	—	—	(1,183,870)
Equity dividends to minority interests	—	—	—	218,768
Foreign currency translation reserve	—	—	—	(48,293)
Other movements				
New equity shares subscribed	871,632	—	—	—
Purchase of own shares	—	1,013	—	(1,752,913)
Recognition of equity-settled share-based payments in the year (note 17)	—	—	28,874	—
Balance carried forward	<u>911,845</u>	<u>1,171</u>	<u>76,357</u>	<u>1,193,796</u>

Company	Share capital £	Share premium account £	Capital redemption reserve £	Share options reserve £	Profit and loss account £	Total shareholders funds £
Balance brought forward	10,260	40,213	158	47,483	1,229,375	1,327,489
Profit for the year	—	—	—	—	2,219,484	2,219,484
Equity dividends	—	—	—	—	(1,183,870)	(1,183,870)
Other movements						
New equity shares subscribed	2,352	871,632	—	—	—	873,984
Purchase of own shares	(1,013)	—	1,013	—	(1,752,913)	(1,752,913)
Recognition of equity-settled share-based payments in the year (note 17)	—	—	—	28,874	—	28,874
Balance carried forward	<u>11,599</u>	<u>911,845</u>	<u>1,171</u>	<u>76,357</u>	<u>512,076</u>	<u>1,513,048</u>

Details of the share transactions are given in note 21 to the financial statements.

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23. Reconciliation of movements in shareholders' funds

GROUP	2012		2011	
	£	£	£	£
Profit for the financial year		2,071,778		2,465,719
New equity share capital subscribed	873,984		40,098	
		873,984		40,098
Purchase of own ordinary shares	(1,752,913)		(49,691)	
Equity dividends	(1,183,870)		(1,121,159)	
Equity dividends to minority interests	218,768		129,254	
		(2,718,015)		(1,041,596)
Foreign currency translation reserve		(48,293)		(313,882)
Recognition of equity-settled share-based payments in the year (note 17)		28,874		10,779
Net addition to shareholders' funds		208,328		1,161,118
Opening shareholders' funds		1,986,440		825,322
Closing shareholders' funds		2,194,768		1,986,440

24. Notes to the statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2012	2011
	£	£
Operating profit	3,270,516	3,517,536
Amortisation	74,280	141
Depreciation	15,053	12,016
Increase in debtors	(2,084,604)	(1,068,894)
Increase in creditors	1,136,977	75,191
Equity-settled share-based payments	28,874	10,779
Net cash inflow from operating activities	2,441,096	2,546,769

Reconciliation of net cash flow to movement in net (debt)/funds

	2012	2011
	£	£
(Decrease)/increase in cash in the year	(1,145,977)	488,786
Movement in net funds in the year	(1,145,977)	488,786
Net funds/(debt) at 1 July 2011	302,559	(186,227)
Net (debt)/funds at 30 June 2012	(843,418)	302,559

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24. Notes to the statement of cash flows *(continued)*

Analysis of changes in net funds

	At 1 July 2011 £	Cash flows £	At 30 June 2012 £
Net cash:			
Cash in hand and at bank	302,559	(188,426)	114,133
Overdraft	-	(957,551)	(957,551)
Net funds/(debt)	<u>302,559</u>	<u>(1,145,977)</u>	<u>(843,418)</u>

25. Ultimate controlling party

In the opinion of the directors, the company has no ultimate controlling party.